

These notes will help you fill in the paper version of the form 'CIS - company registration', CIS305.

Registering online

You can register for the Construction Industry Scheme and apply for payment under deduction online. If you would prefer to do this, go to www.hmrc.gov.uk/new-cis

You cannot register online for gross payment.

Registering by phone

You can also register and apply for gross payment by phoning the CIS Helpline on **0845 366 7899**.

Registering and conditions of gross payment

To apply for registration under the new Construction Industry Scheme and have payments by contractors paid to the company in full, your business must meet all of the following conditions:

- it is run in the UK with a bank account
- it has a net turnover of £30,000 each year for each relevant person (director or beneficial shareholder) or at least £200,000
- the company and its relevant persons have complied with all tax obligations.

These tests are known as the business test, turnover test and compliance test and are explained below.

Business test

To pass this test:

- your business must be able to show us that it is carrying out construction work in the UK or providing labour for such work, and
- is run through a bank account.

Turnover test

This test is based on 'net turnover'. This is your gross income from construction work excluding VAT and the cost of materials. The test looks at net turnover in the 12 months before your application for gross payment.

Companies that are wholly owned by companies who already have gross payment status under CIS, do not have to pass the turnover test.

Companies can take the standard test or the alternative test. To pass the standard test, the company must be able to demonstrate a net construction turnover of at least £30,000 for each director, and if the

Contacts

CIS Helpline
Phone **0845 366 7899**

CIS Orderline
Phone **0845 366 7899**

Internet
www.hmrc.gov.uk/new-cis

This booklet is available in large print. If you would like a copy please contact your HM Revenue & Customs office.

Yr Iaith Gymraeg/Welsh language. Ffoniwch **0845 302 1489** i dderbyn fersiynau Cymraeg o ffurflenni a chanllawiau.

company is close, for each beneficial shareholder in the 12-month period before the date of a gross payment application. To pass the alternative test, the company must be able to demonstrate a net turnover of at least £200,000 during the same period.

If the company's net construction turnover is not enough to pass the turnover test but its total turnover from all sources, in the 12 months up to the application is more than the threshold, you may still be able to pass the test. See pages 4 and 5 for more information.

Compliance test

To pass the compliance test, during the 12 months to the date of the application for gross payment, your company and each of its directors, and where a close company its beneficial shareholders, should have done all of the following:

- completed and returned all Tax Returns sent to you
- supplied any information to do with your tax that we have asked for
- paid by the due dates all tax due from yourself or the business
- paid by the due date all your own National Insurance contributions (NICs)
- paid by the due dates any PAYE tax and NICs due from you as an employer
- paid by the due dates any deductions due from you as a contractor in the construction industry.

When considering whether you have passed the compliance test we will disregard, during the same 12-month period, any or all of the following:

- three late submissions of your Contractor's monthly return - up to 28 days late
- three late payments of PAYE/NICs/CIS deductions - up to 14 days late
- one late payment of the company's, directors' or beneficial shareholders' self assessment tax - up to 28 days late
- any employer end of year return made late
- any late payments of Corporation Tax, up to 28 days late, including where any shortfall in the payment has incurred an interest charge but no penalty
- any Self Assessment Return made late
- any failures classed as 'minor and technical' in relation to your obligations under the old scheme where these fall within the 12-month period up to your application.

If your application to be paid gross is unsuccessful, your construction industry payments will be paid under deduction. We will write to you giving the actual reasons subject to confidentiality rules why you have been unsuccessful along with instructions on how you can appeal.

Filling in the registration form

Help and guidance

These guidance notes will help you fill in your registration form. They do not have box-by-box notes - only notes for boxes you might need help with or want more information about. We are happy to help if there is anything you are not sure about. Please phone the CIS Helpline on **0845 366 7899**.

The company secretary should fill in the registration form.

Unincorporated bodies should also use this form to register and phone the CIS Helpline for completion guidance.

Company details

3

Unique tax reference (UTR)

Enter the reference number you would use for Corporation Tax Self Assessment purposes given to you at the time the company was registered. You will also find this on your Tax Return, Statements, or Payment on Account notices.

Turnover test

22

To see if the company qualifies for gross payment status you need to tell us how many relevant persons are in the company. By relevant persons we mean anyone who is a director of the company, and if the company is close, a beneficial shareholder.

You should enter the highest number that were in the company for the 12-month period to the date of this application.

If you are an unincorporated body you should enter member details in Shareholder details.

We will carry out checks, and may reject an application if we believe the number of relevant persons has been understated. You may also be charged a penalty.

If your net construction turnover in the last 12 months equals or exceeds £30,000 x the number of relevant persons in box 22 or equals or exceeds £200,000, fill in the boxes.

A. Gross amount of payments (not including VAT)

To work this out add up all the income you have had from construction work including the cost of materials you have supplied in the period. Do not include any VAT.

Construction income includes any money from any client for building and construction work, for example:

- installation
- repairs
- plumbing
- electrical work
- painting and decorating
- demolition.

B. Cost of materials (not including VAT)

To work this out add up all the amounts you have spent on materials you have used in the period. Do not include any VAT.

'Materials' means the cost (not including VAT) of:

- land, building materials and consumables
- fuel or plant
- the actual amount you have spent on plant hire
- any amount in respect of Construction Industry Training Board levy.

Do not include:

- travelling expenses
- fuel for travelling
- cost of scaffolding purchased by scaffolding subcontractors.

C. Net construction turnover (A minus B)

Enter details as required.

Example - for a company with 3 relevant persons

Gross amount of payment (not including VAT)	£ 120,000.00
Less cost of materials (not including VAT)	£ 25,000.00
Net constructions turnover	£ 95,000.00
Number of relevant persons 3 x £30,000	£ 90,000.00

Net construction turnover exceeds statutory limit,
company passes turnover test.

As part of the turnover test you must be able to provide evidence to show how you arrived at the figures used in the test. The evidence must show that you have had a net construction turnover or an amount liable to deduction of £30,000 x number of relevant persons or £200,000 in the period of application.

If your business does not mainly consist of construction operations and your net construction turnover does not equal or exceed the £30,000 x number of relevant persons or £200,000 but total business turnover from all sources in the 12 months up to the date of application is more than the threshold, you can still apply for gross payment.

Enter details of the company's gross turnover together with the amount of construction turnover on a separate sheet of paper. You will also need to tell us the names and addresses of the contractors the company has worked for, the value of each contract and the date the contract was agreed.

Evidence must show for the period you have used:

- dates payments received, **and**
- gross amount of all payments received within the Construction Industry Scheme
- gross payments less VAT for any private work, **and**
- cost of materials (less VAT) used.

There are penalties for false applications. If you give false information you will not be granted gross payment status and you could be charged a penalty of up to £3,000.

Privacy and Data Protection

How we use your information

HM Revenue & Customs is a Data Controller under the Data Protection Act 1998. We hold information for the purposes specified in our notification to the Information Commissioner, including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits to:

- check the accuracy of information
- prevent or detect crime
- protect public funds.

We may check information we receive about you with what is already in our records. This can include information provided by you, as well as by others, such as other government departments or agencies and overseas tax and customs authorities. We will not give information to anyone outside HM Revenue & Customs unless the law permits us to do so. For more information go www.hmrc.gov.uk and look for *Data Protection Act* within the *Search* facility.